

Berlin Township
County of Ionia, Michigan

Financial Statements
And Independent Auditors' Report

Year Ended March 31, 2008

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Government-Wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	5
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets – Proprietary Funds	9
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds.....	10
Statement of Cash Flows – Proprietary Funds.....	11
Statement of Fiduciary Net Assets – Fiduciary Funds.....	12
Statement of Change in Fiduciary Net Assets – Fiduciary Funds.....	13
Notes to Financial Statements	14–21
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund.....	22
Other Supplemental Information:	
General Fund:	
Comparative Balance Sheets	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	24

Independent Auditors' Report

Township Board of Berlin Township
Ionia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berlin Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

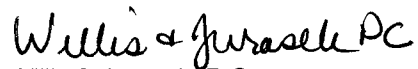
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berlin Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Berlin Township has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information, as listed in the table of contents, is not a required part of the financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Township Board of Berlin Township

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise Berlin Township's basic financial statements. The individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.


Willis & Jurasek, P.C.

September 10, 2008

Berlin Township
Statement of Net Assets
March 31, 2008

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets:			
Cash and investments	\$ 772,419	\$ 928,891	\$ 1,701,310
Receivables	36,630	19,950	56,580
Capital assets, net of accumulated depreciation	<u>188,252</u>	<u>834,129</u>	<u>1,022,381</u>
Total assets	<u>997,301</u>	<u>1,782,970</u>	<u>2,780,271</u>
Liabilities:			
Accounts payable	2,319	14,309	16,628
Due to other governmental units	<u>5,082</u>	<u>-</u>	<u>5,082</u>
Total liabilities	<u>7,401</u>	<u>14,309</u>	<u>21,710</u>
Net Assets:			
Invested in capital assets, net of related debt	188,252	834,129	1,022,381
Unrestricted	<u>801,648</u>	<u>934,532</u>	<u>1,736,180</u>
Total net assets	<u>\$ 989,900</u>	<u>\$ 1,768,661</u>	<u>\$ 2,758,561</u>

Berlin Township
Statement of Activities
Year Ended March 31, 2008

Functions/Programs	Program Revenues			Net (Expenses) Revenues and		
	Charges	Operating Grants	Governmental	Business-type	Activities	Total
	for Services	and Contributions	Activities	Activities		
Primary Government						
Governmental activities:						
General government	\$ 101,793	\$ 6,038	\$ -	\$ (95,755)	\$ -	\$ (95,755)
Public safety	86,494	-	-	(86,494)	-	(86,494)
Highways and streets	62,600	-	-	(62,600)	-	(62,600)
Other	13,978	-	-	(13,978)	-	(13,978)
Total governmental activities	264,865	6,038	-	(258,827)	-	(258,827)
Business-type activities:						
Sewer	111,847	118,625	-	-	6,778	6,778
Total business-type activities	111,847	118,625	-	-	6,778	6,778
Total primary government	\$ 376,712	\$ 124,663	\$ -	\$ (258,827)	6,778	(252,049)
General revenues:						
Property taxes			95,575	-	-	95,575
State shared revenue			185,926	-	-	185,926
Interest and investment earnings			28,627	37,643		66,270
Other revenues			7,833	457		8,290
Transfers - internal activities			(42,612)	42,612		-
Total general revenues			275,349	80,712		356,061
Changes in Net Assets			16,522	87,490		104,012
Net Assets - Beginning of Year			973,378	1,681,171		2,654,549
Net Assets - End of Year			\$ 989,900	\$ 1,768,661		\$ 2,758,561

Berlin Township
Balance Sheet
Governmental Funds
March 31, 2008

	General	Nonmajor	
	Fund	Governmental	Total
		Funds	
<u>Assets</u>			
Cash	\$ 772,419	\$ -	\$ 772,419
Receivables:			
Taxes receivable	5,038	-	5,038
Due from other governmental units	19,640	-	19,640
Due from other funds	<u>11,952</u>	<u>-</u>	<u>11,952</u>
Total assets	<u>\$ 809,049</u>	<u>\$ -</u>	<u>\$ 809,049</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 2,319	\$ -	\$ 2,319
Due to other governmental units	<u>5,082</u>	<u>-</u>	<u>5,082</u>
Total liabilities	<u>7,401</u>	<u>-</u>	<u>7,401</u>
Fund Balances:			
Designated for cemetery	5,328	-	5,328
Designated for light district	3,266	-	3,266
Designated for other	5,712	-	5,712
Unreserved; undesignated	<u>787,342</u>	<u>-</u>	<u>787,342</u>
Total fund balances	<u>801,648</u>	<u>-</u>	<u>801,648</u>
Total liabilities and fund balances	<u>\$ 809,049</u>	<u>\$ -</u>	<u>\$ 809,049</u>

Berlin Township

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets March 31, 2008

Total Fund Balances - Governmental Funds	\$	801,648
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets is

\$ 472,247

Accumulated depreciation is

(283,995)

188,252

Total Net Assets - Governmental Activities	\$	<u>989,900</u>
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Berlin Township
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2008

	Nonmajor Governmental		
	<u>General</u>	<u>Funds</u>	<u>Total</u>
Revenues:			
Taxes	\$ 95,261	\$ -	\$ 95,261
Licenses and permits	5,790	-	5,790
State owned land receipts	314	-	314
Intergovernmental	185,926	-	185,926
Charges for services	248	-	248
Interest earnings	26,791	1,836	28,627
Other	<u>7,833</u>	<u>-</u>	<u>7,833</u>
Total revenues	<u>322,163</u>	<u>1,836</u>	<u>323,999</u>
Expenditures:			
General government	101,406	-	101,406
Public safety	64,298	-	64,298
Highways and streets	62,600	-	62,600
Transfer out	-	42,612	42,612
Other	<u>13,978</u>	<u>-</u>	<u>13,978</u>
Total expenditures	<u>242,282</u>	<u>42,612</u>	<u>284,894</u>
Net Changes in Fund Balances	79,881	(40,776)	39,105
Fund Balances - Beginning of Year	<u>721,767</u>	<u>40,776</u>	<u>762,543</u>
Fund Balances - End of Year	<u>\$ 801,648</u>	<u>\$ -</u>	<u>\$ 801,648</u>

Berlin Township
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 39,105
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Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation expense	\$ (22,583)	
Capital outlay	<u>-</u>	<u>(22,583)</u>

Change in Net Assets of Governmental Activities	\$ <u>16,522</u>
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Berlin Township
Statement of Net Assets
Proprietary Funds
March 31, 2008

	<u>Proprietary</u> <u>Fund</u> <u>Sewer</u> <u>Fund</u>
Assets:	
Current assets:	
Cash	\$ 928,891
Accounts receivable	19,950
Capital assets, net of accumulated depreciation	<u>834,129</u>
Total current assets	<u>1,782,970</u>
Liabilities:	
Accounts payable	<u>14,309</u>
Net Assets:	
Invested in capital assets, net of related debt	834,129
Unrestricted	<u>934,532</u>
Total net assets	<u>\$ 1,768,661</u>

Berlin Township
Statement of Revenues, Expenses
and Changes in Net Assets
Proprietary Funds
Year Ended March, 31, 2008

	Proprietary Fund <u>Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 118,625
Operating Expenses	<u>111,847</u>
Operating Income (Loss)	<u>6,778</u>
Nonoperating Revenues (Expenses):	
Interest income	37,643
Transfer in	42,612
Non-operating income	<u>457</u>
Total nonoperating revenues (expenses)	<u>80,712</u>
Net Income	87,490
Net Assets - Beginning of Year	<u>1,681,171</u>
Net Assets - End of Year	<u>\$ 1,768,661</u>

Berlin Township
Statement of Cash Flows
Proprietary Funds
Year Ended March 31, 2008

	<u>Proprietary Fund Sewer Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 121,028
Cash payments to suppliers for goods and services	<u>(89,690)</u>
Net cash provided by operating activities	<u>31,338</u>
Cash Flows From Investing Activities:	
Interest earnings	37,643
Other non-operating income	<u>43,069</u>
Total cash flows from investing activities	<u>80,712</u>
Net Increase in Cash and Cash Equivalents	112,050
Cash and Cash Equivalents - Beginning of Year	<u>816,841</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 928,891</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	<u>\$ 6,778</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	24,533
Change in assets and liabilities:	
Accounts receivable	2,403
Accounts payable	<u>(2,376)</u>
Total adjustments	<u>24,560</u>
Net Cash Provided by Operating Activities	<u><u>\$ 31,338</u></u>

See Notes to Financial Statements.

Berlin Township
Statement of Fiduciary Net Assets
Fiduciary Funds
March 31, 2008

	<u>Cemetery Trust Fund</u>	<u>Agency Fund</u>
Assets:		
Cash and cash equivalents	\$ <u>13,329</u>	\$ <u>11,952</u>
Liabilities:		
Due to other governmental units	<u>-</u>	\$ <u>11,952</u>
Net Assets:		
Restricted for special purposes	<u>13,329</u>	
Total net assets	\$ <u>13,329</u>	

Berlin Township
Statement of Change in Fiduciary Net Assets
Fiduciary Funds
Year Ended March 31, 2008

	<u>Cemetery Trust Fund</u>
Revenues:	
Interest and investment earnings	\$ <u> -</u>
Total revenues	<u> -</u>
Change in Net Assets	-
Net Assets - Beginning of Year	<u> 13,329</u>
Net Assets - End of Year	<u><u> \$ 13,329</u></u>

Berlin Township

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The financial statements of Berlin Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

Berlin Township operates under an elected Board of Trustees and provides various services to its residents including public safety, community enrichment and development, and human services. The accompanying financial statements of Berlin Township have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining which of the governmental organizations are a part of the Township's reporting entity include oversight responsibility, fiscal dependency, scope of public service, and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Berlin Township
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Government-Wide Statements (Continued) - As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

Sewer Fund – The sewer fund accounts for the activities of the government's sewage collection and treatment systems.

Additionally, the government reports the following fund types:

Debt Service Funds – These funds account for the resources accumulated and payments made for principal and interest on long-term obligations of governmental funds. The Township currently maintains the 1991 Debt Fund.

Fiduciary Fund Types - These Funds, used to account for assets held in trust or as an agent for others, include the Tax Collection Fund and the Cemetery Trust Fund.

Berlin Township
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additional Financial Statement Presentation Information – Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Township reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost. The Township had no investments at March 31, 2008.

State statutes authorize the Township to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Berlin Township
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Receivables and Payables – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Equipment and furniture	5 - 12

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Berlin Township
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for use for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes - The government's property taxes are levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through February 28; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ionia County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Township for 2007 had a taxable value of approximately \$100,082,000. The government's general operating tax rate for fiscal year 2007-08 was .8460 mills for operating.

Note 2 – Stewardship, Compliance and Accountability

The General Fund is the governmental fund type under formal budgetary control. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A General Fund budget is presented to the Township Board in February, at which time hearings on the budget are scheduled.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in March.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the General Fund were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the General Fund. Expenditures in excess of budgeted amounts are disclosed in the budgetary comparison schedule.
- 6) The Governing Board has the authority to amend all budgets at the fund level. It further has the right to amend the General Fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments.
- 7) The budgetary information presented was amended during the year by an official action of the Township Board.
- 8) All budget appropriations lapse at the end of each fund's fiscal year.

Berlin Township
Notes to Financial Statements

Note 3 – Cash and Cash Equivalents

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Proprietary Funds</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ <u>772,419</u>	\$ <u>928,891</u>	\$ <u>1,701,310</u>	\$ <u>25,281</u>	\$ <u>1,726,591</u>

The breakdown for deposits for the Township is as follows:

Deposits (checking, savings accounts and certificates of deposit)	\$ <u>1,726,591</u>
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Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Village has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$1,619,618 of the Township's bank balance of \$1,725,330 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township had no investments at year-end.

Note 4 – Receivables

Receivables of the primary government at March 31, 2008, consist of the following:

Other governmental units (primarily the State of Michigan)	\$ 19,640
Taxes receivable	16,990
Sewer customer receivables	<u>19,950</u>
Total	\$ <u>56,580</u>

Berlin Township
Notes to Financial Statements

Note 5 – Capital Assets

Capital assets activity for the year ended March 31, 2008 was as follows:

Primary Government	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,250	\$ -	\$ -	\$ 4,250
Total capital assets not being depreciated	<u>4,250</u>	<u>-</u>	<u>-</u>	<u>4,250</u>
Capital assets being depreciated:				
Buildings and improvements	29,618	-	-	29,618
Equipment and furniture	<u>438,379</u>	<u>-</u>	<u>-</u>	<u>438,379</u>
Total capital assets being depreciated	<u>467,997</u>	<u>-</u>	<u>-</u>	<u>467,997</u>
Accumulated depreciation:				
Buildings and improvements	26,947	740	-	27,687
Equipment and furniture	<u>234,465</u>	<u>21,843</u>	<u>-</u>	<u>256,308</u>
Total accumulated depreciation	<u>261,412</u>	<u>22,583</u>	<u>-</u>	<u>283,995</u>
Total capital assets being depreciated - net	<u>206,585</u>	<u>(22,583)</u>	<u>-</u>	<u>184,002</u>
Governmental activities capital assets - net	<u>\$ 210,835</u>	<u>\$ (22,583)</u>	<u>\$ -</u>	<u>\$ 188,252</u>
Business-Type Activities				
Capital assets being depreciated:				
Sewer system	\$1,226,657	\$ -	\$ -	\$1,226,657
Accumulated depreciation	<u>367,995</u>	<u>24,533</u>	<u>-</u>	<u>392,528</u>
Business-type activities capital assets - net	<u>\$ 858,662</u>	<u>\$ (24,533)</u>	<u>\$ -</u>	<u>\$ 834,129</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 387
Public safety	<u>22,196</u>
Total depreciation expense – governmental activities	<u>\$ 22,583</u>
Business-Type Activities:	
Sewer	<u>\$ 24,533</u>

Berlin Township
Notes to Financial Statements

Note 6 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2008, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

Note 7 – Designated Fund Balance – General Fund

Certain amounts in the General Fund have been designated for specific purposes. At March 31, 2008, these amounts were as follows:

Designated for cemetery	\$ 5,328
Designated for light district	3,266
Designated for other	<u>5,712</u>
	<u>\$ 14,306</u>

Note 8 – Joint Ventures

During the fiscal year 1973 - 1974, the townships of Berlin and Orange entered into an agreement to form the Berlin-Orange Fire Department to be governed by three members of each township - two of which must be township officers. The agreement was extended for another ten years in 2005. Total expenditures paid to the Fire Department by Berlin Township for the year ended March 31, 2008 were \$55,000.

Required Supplemental Information

Berlin Township
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended March 31, 2008

	2008		
	Original Budget	Final Budget	Actual
Revenues:			
Property taxes	\$ 80,000	\$ 80,000	\$ 95,261
Licenses and permits	1,000	1,000	5,790
State owned land receipts	314	314	314
State shared revenue	195,000	195,000	185,926
Charges for services	-	-	248
Interest	15,000	15,000	26,791
Other	<u>16,300</u>	<u>16,500</u>	<u>7,833</u>
Total revenues	<u>307,614</u>	<u>307,814</u>	<u>322,163</u>
Expenditures:			
General government:			
Legislative	12,000	14,300	15,884
Supervisor	16,000	16,000	14,500
Elections	4,000	4,000	2,184
Legal and audit	9,000	17,268	16,768
Clerk	17,000	17,000	15,964
Board of review	1,200	1,200	180
Treasurer	21,000	21,000	19,550
Assessor	14,500	14,500	13,776
Township hall	150,000	150,000	-
Cemetery	<u>2,500</u>	<u>2,500</u>	<u>2,600</u>
Total general government	<u>247,200</u>	<u>257,768</u>	<u>101,406</u>
Public safety:			
Fire	131,500	131,500	56,342
Ambulance	<u>12,000</u>	<u>12,000</u>	<u>7,956</u>
Total public safety	<u>143,500</u>	<u>143,500</u>	<u>64,298</u>
Highways, streets and transportation:			
Roads	200,000	189,432	51,322
Drains at large	15,000	15,000	8,681
Light district	<u>2,700</u>	<u>2,700</u>	<u>2,597</u>
Total highways, streets and transportation	<u>217,700</u>	<u>207,132</u>	<u>62,600</u>
Other	<u>23,500</u>	<u>23,500</u>	<u>13,978</u>
Total expenditures	<u>631,900</u>	<u>631,900</u>	<u>242,282</u>
Changes in Fund Balances	(324,286)	(324,086)	79,881
Fund Balances - Beginning of Year	<u>721,767</u>	<u>721,767</u>	<u>721,767</u>
Fund Balances - End of Year	<u>\$ 397,481</u>	<u>\$ 397,681</u>	<u>\$ 801,648</u>

Other Supplemental Information

Berlin Township
General Fund
Comparative Balance Sheets
March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash	\$ 772,419	\$ 736,048
Taxes receivable	5,038	4,135
Due from other governmental units	19,640	20,417
Due from other funds	<u>11,952</u>	<u>3,184</u>
	<u>\$ 809,049</u>	<u>\$ 763,784</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ 2,319	\$ 42,017
Due to other governmental units	<u>5,082</u>	<u>-</u>
	<u>7,401</u>	<u>42,017</u>
Fund Balances:		
Designated for cemetery	5,328	4,913
Designated for light district	3,266	3,266
Designated for other	5,712	630
Unreserved; undesignated	<u>787,342</u>	<u>712,958</u>
Total fund balances	<u>801,648</u>	<u>721,767</u>
	<u>\$ 809,049</u>	<u>\$ 763,784</u>

Berlin Township
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget to Actual
Year Ended March 31, 2008
(With Comparative Actual Amounts for the Year Ended March 31, 2007)

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
Property taxes	\$ 80,000	\$ 95,261	\$ 15,261	\$ 77,025
Licenses and permits	1,000	5,790	4,790	7,747
State owned land receipts	314	314	-	314
State shared revenue	195,000	185,926	(9,074)	195,284
Charges for services	-	248	248	-
Interest	15,000	26,791	11,791	26,050
Other	<u>16,500</u>	<u>7,833</u>	<u>(8,667)</u>	<u>12,616</u>
Total revenues	<u>307,814</u>	<u>322,163</u>	<u>14,349</u>	<u>319,036</u>
Expenditures:				
General government:				
Legislative	12,000	15,884	(3,884)	11,569
Supervisor	16,000	14,500	1,500	11,069
Elections	4,000	2,184	1,816	4,120
Legal and audit	9,000	16,768	(7,768)	6,720
Clerk	17,000	15,964	1,036	13,151
Board of review	1,200	180	1,020	1,020
Treasurer	21,000	19,550	1,450	18,225
Assessor	14,500	13,776	724	13,523
Township hall	150,000	-	150,000	1,500
Cemetery	<u>2,500</u>	<u>2,600</u>	<u>(100)</u>	<u>2,500</u>
Total general government	<u>247,200</u>	<u>101,406</u>	<u>145,794</u>	<u>83,397</u>
Public safety:				
Fire	131,500	56,342	75,158	232,840
Ambulance	<u>12,000</u>	<u>7,956</u>	<u>4,044</u>	<u>10,608</u>
Total public safety	<u>143,500</u>	<u>64,298</u>	<u>79,202</u>	<u>243,448</u>
Highways, streets and transportation:				
Roads	200,000	51,322	148,678	163,875
Drains at large	15,000	8,681	6,319	12,453
Light district	<u>2,700</u>	<u>2,597</u>	<u>103</u>	<u>2,574</u>
Total highways, streets and transportation	<u>217,700</u>	<u>62,600</u>	<u>155,100</u>	<u>178,902</u>
Other	<u>23,500</u>	<u>13,978</u>	<u>9,522</u>	<u>16,705</u>
 Total expenditures	<u>631,900</u>	<u>242,282</u>	<u>389,618</u>	<u>522,452</u>
Changes in Fund Balances	(324,086)	79,881	403,967	(203,416)
Fund Balances - Beginning of Year	<u>721,767</u>	<u>721,767</u>	-	<u>925,183</u>
Fund Balances - End of Year	<u>\$ 397,681</u>	<u>\$ 801,648</u>	<u>\$ 403,967</u>	<u>\$ 721,767</u>

September 10, 2008

To the Township Council
Berlin Township

We have audited the financial statements of the governmental activities and each major fund of Berlin Township for the year ended March 31, 2008, and have issued our report thereon dated September 10, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

- 1) As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
- 2) As part of our audit, we considered the internal control of Berlin Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- 3) We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters held prior to the audit field work.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Berlin Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The journal entries provided to management, were corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 10, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Council and management of Berlin Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

To the Village Council
of Berlin Township

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berlin Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

2008-1: The management of the Township has the ability to produce internal reporting that allows for financial management of the day-to-day operations. However, management relies on the external auditors to prepare its external audit reports. While this may be typical of some smaller municipalities, it is considered a material weakness under SAS 112.

2008-2: Due to the limited personnel in the accounting department, the Township lacks segregation of duties over several areas, including cash receipting, journal entry processes, and cash disbursements. The limited size of the staff does not allow for segregating duties. Council should be aware of and attempt to establish procedures to minimize this lack of controls.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Of the significant deficiencies described above, we consider Finding 2008-1 to be a material weakness.

This communication is intended solely for the information and use of management, the Township Council and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



Willis & Jurasek, P.C.

September 10, 2008